

Message Text

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ACTION EUR-12

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SP-02 SS-15 STR-01 TRSE-00 FRB-03 PA-01 PRS-01 USIA-06

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R 140800Z MAR 75

FM AMCONSUL ISTANBUL

TO AMEMBASSY ANKARA

INFO SECSTATE WASHDC 5906

AMCONSUL ADANA

AMCONSUL IZMIR

C O N F I D E N T I A L ISTANBUL 0810

EO 11652: GDS

TAGS: BGEN, ENRG, TU

SUBJECT: MOBIL PROBLEM IN TURKEY

REF: (A) ANKARA 1806; (B) ANKARA 1805; (C) ISTANBUL 0620;

(D) ISTANBUL 0444

SUMMARY: MOBIL OIL WILL NOT JEOPARDIZE INVESTMENT IN
TURKEY OVER CURRENT IMPASSE ON PROCE OF CRUDE OIL IMPORTS.
IF COMPROMISE CANNOT BE REACHED BY MAY6, MOBIL'S
PRESENT INTENTION IS TO RESUME CRUDE IMPORTS, AS LEAST
TEMPORARILY, TO AVOID CANCELLATION OF ITS INVESTMENT
CERTIFICATE. MOBIL SAYS IT FULLY PREPARED TO BEGIN EXPLORATION
ACTIVITIES IF THIS LIKELY TO HELP RESOLVE CURRENT DISPUTE.
COMPANY HOPEFUL THAT MUTUALLY AGREEABLE SOLUTION WILL BE FOUND
AND IT REMAINS COMPLETELY FLEXIBLE AND WILLING COMPROMISE ON
REASONABLE PROPOSAL. END SUMMARY.

1. MOBIL GENMGR CASANOVA TOLD CONGENOFFS HE HOPEFUL THAT

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DISPUTE OVER IMPORTED PRICE OF CRUDE OIL WILL BE RESOLVED WITHIN

NEXT TWO MONTHS. NOTING THAT MOBIL HAD UNTIL MAY 6 WHEN 90-DAY PERIOD OF ARTICLE 132 OF PETROLEUM LAW WOULD EXPIRE (ISTANBUL 0444), HE SAID CURRENT MOBIL ASSESSMENT IS THAT THERE IS LIKELY TO BE NEW GOVERNMENT WITHIN THIS TIMEFRAME, PERHAPS AS SOON AS THE NEXT TWO WEEKS. THIS, HE EXPECTED, WOULD BRING ABOUT REPLACEMENT OF ENERGY MINISTER ISIL AND PERHAPS EVEN UNDER-SECRETARY KOPRULULER. CASANOVA SAID THAT THE POLITICAL ASPIRATIONS OF THESE TWO INDIVIDUALS (REPORTEDLY BOTH HOPE FOR RPP SEATS IN PARLIAMENT), WHO APPARENTLY DETERMINED TO MAKE MOBIL KNUCKLE UNDER, VIRTUALLY RULED OUT COMPROMISE WITH THEM. HE SAID MOBIL HAD RECEIVED TERSE REJECTION TO ALL ITS PROPOSALS, INCLUDING LATEST ON WHICH PRIME MINISTER IRMAK HAD INDICATED OFFERED HOPE FOR SOLUTION. IN SPITE OF THIS, MOBIL POLICY IS FLEXIBLE AND COMPUTY WILLING TO COMPROMISE ON ANY REASONABLE PROPOSAL. HOWEVER, SUSTAINED LOSSES OF ONE DOLLAR PER BARREL ARE OUT OF THE QUESTION. IN THE EVENT THAT SITUATION IS UNRESOLVED BY MAY 6 DEADLINE, MOBIL'S PRESENT PLAN IS TO RESUME CRUDE OIL IMPORTS FOR LIMITED PERIOD IN ORDER TO AVOID CANCELLATION OF ITS CERTIFICATE.

2. IN THE MEANTIME, MOBIL INTENDS TO KEEP ITS ACTIVITIES LOW-KEY AND WILL CONTINUE ITS EFFORTS TO INFORM KEY ELEMENTS IN TURKISH POWER STRUCTURE OF MIBIL SITUATION, HOPING TO GAIN ADDITIONAL SUPPORT FOR ITS CASE. COMMENTING ON DISCUSSION OF OIL QUESTION IN RECENT NSC MEETING, MOBIL UNDERSTOOD THAT MILITARY HAD STRONGLY OPPOSED TURKEY BECOMING DEPENDENT FOR ENTIRE SUPPLY OF CRUDE OIL ON LIBYA AND IRAQ. CASANOVA ALSO SAID THAT MOBIL DISTRIBUTORS WHO SOON WILL BE SERIOUSLY AFFECTED (CURRENT STOCKS OF WHITE PRODUCTS PROBABLY WILL RUN OUT IN ONE WEEK TO TEN DAYS) HAVE BEGUN TO ORGANIZE. IN RECENT MEETING IN ANKARA, LEADERSHIP OF THIS GROUP WHICH INCLUDES NUMBER OF POWERFUL INDIVIDUALS, SEVERAL OF WHOM ARE INFLUENTIAL IN RPP IN THEIR DISTRICTS, REPORTEDLY GAVE KOPRULULER THOROUGH GRILLING AND HE WAS BADLY EMBARRASSED BY SOME OF THE QUESTIONS.

3. RESPONDING TO CONGEN OFFICER'S QUESTION, CASANOVA GAVE COMPREHENSIVE REVIEW OF MOBIL'S POLICY ON EXPLORATION IN TURKEY. AFTER SINKING \$40 MILLION IN EXPLORATION OPERATIONS SOME YEARS AGO, MOBIL HAD CONCLUDED THAT TURKEY LACKED SUBSTANTIAL OIL DEPOSITS. THIS, HE SAID, HAD BEEN SUPPORTED CONFIDENTIAL

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BY THEIR SEISMOGRAPHIC SURVEYS AS WELL AS THEIR DRILLING EXPERIENCE. MOBIL BELIEVES THAT MAXIMUM ONE COULD EXPECT FROM OIL FIELD IN TURKEY WOULD BE FIVE MILLION BARRELS OF RESERVES. THIS WAS NOT COMMERCIALY ATTRACTIVE COMPARED WITH OTHER OPPORTUNITIES FOR MOBIL. FOR THIS REASON TOP OFFICIALS IN NEW YORK HAD ADAMANTLY OPPOSED PROVIDING FUNDS FOR EXPLORATION ACTIVITIES IN TURKEY. CASANOVA SAID HE UNDERTOOK CAMPAIGN SHORTLY AFTER HIS

ARRIVAL TO CONVINCE TOP MANAGEMENT THEY WERE LOOKING AT EXPLORATION IN TURKEY FROM WRONG VIEWPOINT. HE SAID HE WAS ABLE TO CONVINCE THEM THAT A MINIMUM LEVEL OF EXPLORATION WAS NECESSARY TO MAINTAIN MOBIL'S OVERALL INTERESTS IN TURKEY. CASANOVA SAID THAT APPROXIMATELY ONE MILLION DOLLARS HAD BEEN INCLUDED IN THIS YEAR'S BUDGET AND THAT SOME EQUIPMENT COULD ARRIVE WITHIN THE NEXT TWO MONTHS. WITH RESPECT TO DRILLING AREAS, MOBIL HAD IDENTIFIED SIX TOP PROSPECTS, FOUR OF WHICH ARE UNDER LICENSE TO SADI CANCAR OF TURKAN PETROL (SEE REF B). THERE HAVE BEEN ACTIVE DISCUSSION WITH CANCAR CONCERNING THE TERMS FOR MOBIL PARTICIPATION, BUT THEY HAVE NOT YET COME TO AGREEMENT. CASANOVA ADDED THAT MOBIL MAY SOON MAKE A PAYMENT ON ONE OF CANCAR'S LEASES IN ORDER TO RETAIN MOBIL'S OPTION ON THAT LEASE. HE SAID, HOWEVER, THAT EXPLORATION WOULD NOT BEGIN UNTIL SOME UNDERSTANDING HAD BEEN REACHED ON THE PRICE OF CRUDE OIL.

COMMENT: MAIN ELEMENTS WHICH APPEAR FORM BASIS MOBIL STRATEGY ARE (A) BELIEF THAT IMPORTANT GROUPS WITHIN POWER STRUCTURE WISH AVOID SHOWDOWN WITH FOREIGN OIL COMPANIES; (B) THAT EXPECTED GOVERNMENTAL CHANGES MAY SOON REMOVE SOME OFFICIALS MOST ANTAGONISTIC TO COMPANIES; (C) THEREFORE, CHANCES ARE THAT PRIOR TO EXPIRATION MAY 6, DEADLINE, GOT MAY COME UP WITH NEW PROPOSALS WHICH COULD PERMIT SATISFACTORY COMPROMISE; (D) IF AGREEMENT NOT REACHED BY THEN, MOBIL WOULD RESUME IMPORTS AT LEAST TEMPORARILY, TO AVOID CANCELLATION INVESTMENT CERTIFICATE. MOBIL WILLING USE EXPLORATION AS BARGAINING CHIP IN EFFORT REACH OVERALL SETTLEMENT. HOWEVER, IT BELIEVES TO OFFER EXPLORATION NOW WOULD BE COUNTERPRODUCTIVE AS IT WOULD BE TAKEN AS SIGN OF WEAKNESS AND WOULD BE USED BY CURRENT MINISTER AND HIS DEPUTY TO ENHANCE THEIR POLITICAL FORTUNES WITHOUT COMPENSATING

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ACTION TO INCREASE CRUDE OIL PRICE.
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